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Arnold Schwarzenegger
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March 24, 2004

MANUFACTURERS ADVISORY CORRESPONDENCE (MAC) 2004-01

TO: ALL PASSENGER CAR MANUFACTURERS
ALL LIGHT-DUTY TRUCK MANUFACTURERS
ALL MEDIUM-DUTY VEHICLE MANUFACTURERS
ALL OTHER INTERESTED PARTIES

SUBJECT: Zero-Emission Vehicle (ZEV) Credit Reporting and Tracking System

This letter transmits a MAC that provides vehicle manufacturers and other interested parties with the Air Resources Board's mechanism and format to be used for reporting and tracking ZEV deliveries and placements to determine ZEV credit compliance.

If you have any questions regarding this matter, please contact Ms. Krista Eley, staff, ZEV Implementation Section, at (916) 322-2333, or via email at keley@arb.ca.gov.

Sincerely,

/s/

Robert H. Cross, Chief
Mobile Source Control Division

Attachments

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption.
For a list of simple ways you can reduce demand and cut your energy costs, see our Website: <http://www.arb.ca.gov>.*

California Environmental Protection Agency

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**State of California
Air Resources Board**

MANUFACTURERS' ADVISORY CORRESPONDENCE (MAC) 2004-01

SUBJECT: Format and policies for manufacturer Zero-Emission Vehicle (ZEV) Reporting for 2002 and subsequent model-year ZEVs, Advanced Technology Partial ZEVs (AT PZEV) and Partial ZEVs (PZEV).

APPLICABILITY: Manufacturers of 2002 and subsequent model-year ZEVs, AT PZEVs, and PZEVs certified for sale in California and any person or entity that transacts credits for these vehicles including, but not limited to, credit brokers and transportation project managers.

REFERENCES: Section 1962, Title 13, California Code of Regulations (CCR), and the incorporated "California Exhaust Emission Standards and Test Procedures for 2005 and Subsequent Model ZEVs, and 2001 and Subsequent Model Hybrid Electric Vehicles, in the Passenger Car, Light-Duty Truck and Medium-Duty Vehicle Classes," adopted August 5, 1999, as last amended December 19, 2003.

BACKGROUND:

The California ZEV regulations were originally adopted by the Air Resources Board (ARB or Board) in 1990, as part of the first generation California low-emission vehicle regulations. The ZEV program is an integral part of California's mobile source control efforts and is intended to encourage the development of advanced technologies that will secure increasing air quality benefits for California now and into the future. The ZEV regulations nominally require that ten percent of the passenger cars and light-duty trucks produced and delivered for sale in California by all but small volume manufacturers be ZEVs--vehicles with no emissions. However, there are mechanisms under which a manufacturer may satisfy part, or in some cases, all of its ZEV obligation with PZEV allowances generated from vehicles with extremely low emissions.

At a January 25, 2001, public hearing, the Board adopted changes to the ZEV regulations that significantly reduced the number of ZEVs required during the near term. These amendments, approved by the Office of Administrative Law on May 24, 2002, also required an increase in the number of ZEVs over time. They provided greater flexibility for manufacturers to meet the ZEV regulations and provided credit multipliers to encourage a variety of actions such as placing vehicles early, manufacturing vehicles with greater range, and fast refueling. Credits could also be earned by vehicles used in advanced technology demonstration programs and vehicles placed as part of a transportation system. In June 2002 enforcement of the ZEV regulation was enjoined by a federal District Court with respect to 2003 and 2004 model year vehicles. In 2003 the ZEV regulation was amended again to address issues raised by industry litigation

and to take into account current conditions and trends in zero and near-zero emissions technology development. As a result of the 2001 and 2003 amendments, the ZEV regulation became more complex and therefore requires more detailed reporting from vehicle manufacturers. Although the 2003 amendments simplified credit calculations in many cases, more detailed reporting is still needed in order to track compliance given the numerous options available.

Currently, manufacturers submit quarterly production data for ZEVs and PZEVs in accordance with MAC 2000-01 and annual summary production reports in accordance with Mail-Out 95-04. However, these data would be insufficient to determine ZEV credits and compliance with the regulation given the complexity of the ZEV regulation.

DISCUSSION:

This MAC provides a consistent format for reporting delivery and placement of ZEV program vehicles in California for demonstration of compliance with the regulation. Additionally, process and format for submitting data related to other activities related to ZEV credit are provided.

Beginning with the 2002 model year, ARB requests that both a hard copy and an electronic version of the appropriate forms and ZEV reports be submitted with an attached cover letter for all ZEV, AT PZEV, and PZEV manufacturers, and other interested parties. Vehicle manufacturers will continue to report production data as previously required.

The ARB forms for ZEV reporting include: 1) an application form for opening a "ZEV account" with ARB and 2) a form for transferring credits. These electronic forms are presented in the following Attachments:

ZEV Credit Account Application	Attachment A
ZEV Credit Transfer Form	Attachment B

The ARB-specified electronic format needed for submitting ZEV reports is presented in the following Attachments:

Vehicles Delivered and Placed ZEVs, AT PZEVs, and PZEVs	Attachment C
Other Types of Credits Extended Service Advanced Technology Demonstration Program Transportation Systems	Attachment D
ZEV Account Holder Identification Codes	Attachment E

Guidance: Credit Bank

ARB will utilize the ZEV Bank to track ZEVs and the credits earned by vehicle manufacturers and transacted by credit traders. The system will also generate ZEV credit balance and summary statements.

Manufacturers of 2002 and subsequent model-year ZEVs, AT PZEVs, and PZEVs certified for sale in California and any person or entity that holds ZEV credits for any length of time including, but not limited to, credit brokers and transportation project managers need to apply for a ZEV account with ARB. See Attachment A for ZEV Credit Account Application.

ARB will record ZEVs in the ZEV Bank. The recording of vehicles is then subject to verification of the information substantiating delivery and placement of ZEVs. If ARB determines that discrepancies exist in any ZEV information submitted, staff will notify the appropriate party and will accordingly adjust the ZEV Account. ARB may perform audits at any time.

Recorded ZEV credits will be multiplied by the Non-Methane Organic Gases (NMOG) fleet average requirement for the appropriate model year. ZEV credits will be stored in the ZEV Bank in units of grams per mile NMOG. Please note that the grams per mile NMOG units are only used as an index and do not represent actual values of grams per mile NMOG.

Frequency of Reporting

ZEV account holders are to report ZEV data annually by May 1 of the calendar year following the close of a model year. Annual Reports may be updated by September 1. ZEV account holders may choose to report more frequently; however, please contact the ZEV Bank Program Manager prior to transmittal. The schedules are as follows:

Annual

Report Date

May 1 of a given calendar year

Data Represents

preceding model year

Supplement to Annual

Report Date

September 1 of a given calendar year

Data Represents

preceding model year
April 1 to June 30

Credit Statements

Credit Statements will be issued to ZEV account holders annually. Additional credit statements are available upon request.

Credit Types

ZEVs

ZEVs may generate ZEV credits at several points in time including “Delivered for sale,” “Placed in service,” and “Extended service.” Vehicles receive a base credit when “Delivered for sale” and remaining ZEV credits based on applicable multipliers when “Placed in Service.”

Delivered for Sale – This means vehicles that have received a bill of lading for sale in California and are shipped, or are in the process of being shipped to a dealer in California.

Placed in Service – As defined in the ZEV regulation, “means having been sold or leased to an end-user and not to a dealer or other distribution chain entity, and having been individually registered for on-road use by the California Department of Motor Vehicles [DMV]” (§1962(i)(4)).

Vehicles sold in mass to another state by one person, entity or company shortly after registering at the California DMV do not meet the definition of “Placed in Service” in the ZEV regulation. Specifically they do not meet the criteria of being sold or leased to an end-user and not to a dealer or other distribution chain entity. The person, entity, or company in this situation would be a dealer or other distribution chain entity. Therefore, vehicles in this circumstance do not qualify for ZEV credits.

All “Placed in Service” vehicles will be verified with the California DMV with the exception of vehicles leased or sold to the federal government (see below). If any vehicles within a reported batch cannot be verified with the DMV, the ZEV Program Manager will contact the Account Holder and request that those records be corrected and resubmitted.

Vehicles Leased or Sold to Federal Government – Vehicles sold to the federal government may or may not be registered at the DMV. Vehicle Identification Numbers (VIN) for federal vehicles will be verified with the U.S. General Services Administration (GSA). For federal government vehicles a list of VINs from GSA must be submitted and an accompanying letter from each appropriate

federal agency stating that the vehicles leased or sold will be used in the State of California.

Multiplier for City and Full Function ZEVs – A city and full function ZEV produced in model years 2004 to 2011 may receive a one-time multiplier of 1.25 if it is either sold to a motorist or is leased for three or more years to a motorist who is given the option to purchase or re-lease the vehicle for two years or more at the end of the first term (§1962(d)(5)(C)).

Neighborhood Electric Vehicles (NEVs) and Non-NEVs – For reporting and tracking purposes, a distinction is made between NEVs and ZEVs that are not NEVs regarding the use of banked NEV credits and the application of the NEV discount multiplier.

AT PZEVs and PZEVs

AT PZEVs and PZEVs may earn credits for having been “Delivered for sale” as described for ZEVs. No additional credits or multipliers are applied when the vehicles are placed. Thus, the ZEV Bank does not track placement for AT PZEVs and PZEVs.

Extended Service Multiplier

ZEVs and some AT PZEVs in model years 1997-2003 may earn ZEV credits for having been re-leased after an initial three years in accordance with the ZEV regulation. NEVs are not eligible to earn the credit for the Extended Service Multiplier (§1962(f)).

Advanced Technology Demonstration Programs

A vehicle placed in a California advanced technology demonstration program may earn ZEV credits even if it is not “delivered for sale” in accordance with the ZEV regulation (§1962(g)(4)). Approval by the ARB’s Executive Officer is required for Advance Technology Demonstration Program credits. Generally, this credit is only available for advanced technology vehicles, such as fuel-cell powered vehicles that may or may not be registered with DMV. **A copy of the letter indicating the ARB Executive Officer’s approval of the Advanced Technology Demonstration Program must be submitted with any reported credits generated under this program.**

Transportation Systems

In model years 2001 through 2011, a ZEV, AT PZEV, or PZEV placed as part of a transportation system may earn ZEV credits in accordance with the ZEV regulation (§1962(g)(5)). Approval by the Executive Officer is

required for transportation system credits. NEVs are not eligible to earn credit for transportation systems. **A copy of the letter indicating the ARB Executive Officer's approval of the Transportation Systems Program must be submitted with any reported credits generated under this program.**

Transferring Credits

Credits may be transferred between parties and entities. Any party or entity that holds ZEV credits for any length of time including, but not limited to, credit brokers and transportation project managers, need to have an account with the ARB ZEV Bank. Credit transfers can take place outside of the ZEV Bank at anytime. However, if credits are to be acknowledged for ZEV compliance, each transfer needs to be recorded in the ZEV Bank and all parties need to have an account with the ZEV Bank as indicated above. The ZEV Bank Program Manager will contact the Primary Account Holders and confirm the transfer request. See Attachment B for the Transferring ZEV Credit Form.

If a transferor double sells credits (sells the same credits to two or more parties or manufacturers), only the transferee to first record with the ZEV Bank will receive credit. The transferee that records with the ZEV Bank after the transferor's credits have been exhausted will not receive credit and will be notified of the shortfall. The ZEV Bank Program Manager will notify the appropriate parties of the discrepancy.

Confidentiality

In accordance with Title 17, CCR, Sections 91000 to 91022, and the California Public Records Act (Government Code Section 6250, et seq.), the information that a company provides to ARB may be released (1) to the public upon request, except trade secrets which are not emissions data or other information which is exempt from disclosure or the disclosure of which is prohibited by law; and (2) to the Federal Environmental Protection Agency, which protects trade secrets as provided in Section 114(c) of the Clean Air Act and amendments thereto (42 USC 7401, et seq.) and in federal regulation; and (3) to other public agencies provided that those agencies preserve the protections afforded information, which is identified as a trade secret, or otherwise exempt from disclosure by law (Government Code Section 6254.5 (e)).

Trade secrets as defined in Government Code Section 6254.7 are not public records and therefore will not be released to the public. However, the California Public Records Act provides that air pollution emission data are always public records, even if data come within the definition of trade

secrets. On the other hand, the information used to calculate emission data can be trade secret.

If any company believes that any of the information it may provide is trade secret or otherwise exempt from disclosure under any other provision of law, it must identify the confidential information as such at the time of submission to ARB and must provide the name, address, and telephone number of the individual to be consulted if ARB receives a request for disclosure or seeks to disclose the data. ARB may ask the company to provide documentation of its claim of trade secret or exemption at a later date. Data identified as confidential will not be disclosed unless ARB determines, in accordance with the above referenced regulations that the data do not qualify for a legal exemption from disclosure. In such a case, the party claiming confidentiality will be notified at least 21 days before disclosure.

Guidance for Electronic Submittal of Data Files

Manufacturers and other persons or entities transacting ZEV credits need to submit ZEV data reports electronically using all applicable fields with the domains as defined in Attachments C and D. Note that all fields are required. The preferred electronic format is comma delimited text. As a convenience, ARB is able to import Microsoft Office 97 software products Excel and Access. Please contact the ZEV Bank Program Manager, if you cannot use any of these file formats.

If an electronic submittal has incomplete or incorrectly formatted data, the data will take longer to process. In addition, the ZEV Bank Program Manager will contact the Account Holder and request that the records be corrected and a complete new data batch submitted. Only if the entire data batch is complete and correctly formatted will the data be recorded in the ZEV bank.

Each file should be named using the format, MMMM_MM/DD/YYYY.XXX, as defined below:

MMMM	=	Manufacturer code (see Attachment E)
MM/DD/YYYY	=	Date report generated for example March 25, 2002 = 03/25/2002
XXX	=	file extension CSV for comma separated ASCII Text file TXT for comma delimited ASCII Text file MDB for Access file Microsoft Office 97 XLS for Excel file Microsoft Office 97

The electronic file formats provided in Attachments C and D describe each field in detail. The columns are:

Sequence	Order of the data in the record
Data Name	Name of the data field
Type	Identifies type of the field C = Characters (i.e., Alpha-Numeric) N = Numeric D = Date - date format should be used
Length	Specifies the number of characters in each field. For numeric, specifies the number of digits including the decimal, if any.
Range or Domain Description	Lists the possible inputs or format for the field Describes the field